

How to set up your own business

Self-employment: Why do it?

Why become self-employed?

In some sectors, such as the media, the Bar and the creative and performing arts, self-employment is a standard way of working. For others, it is a lifestyle choice, achievable by:

- setting up a business, either on a full-time basis or alongside a part-time job;
- working as a freelancer or contractor;
- buying into a franchise.

Whatever your choice, there are pros and cons.

The benefits

- Earn more money. Self-employed people generate their own income and profits.
- Freedom to do projects that you enjoy, move in different directions and take new approaches.
- Use a particular talent such as a technical aptitude or creative skill.
- Be your own boss.
- Choose your hours of work.
- Take charge of your future. Working for someone else makes you vulnerable to redundancy, closures or mergers.
- Work from home or operate out of your own separate premises or move around different locations as a contractor.
- Free yourself from the stresses of the conventional workplace - office politics, targets, meetings and constant demands.
- Live off your wits and your own efforts rather than depending on an employer.
- Receive extra tax benefits.

The risks

- You cannot guarantee a large salary or income of any kind! Competition, economic fluctuations, and changing tastes can all affect this.
- When you start out, you may not be making much money or it may not be arriving at a predictable rate.
- You must earn enough to live, so you might need to support yourself in another way while seeing your idea take off.
- Working on your own means you are responsible for the day-to-day running of the business. This may mean doing tasks that you dislike.
- You need a product for which there is a demand. This might depend on having a certain image, technique or product.
- The buck stops with you! Taking an unwise decision could dent your income.
- Expanding too rapidly or conversely not being quick to seize a chance, might be detrimental.
- Your hours will often be dictated by your customers and clients. You have to respond to their needs or forfeit money and good will.
- Working from home is most effective when you have the space and facilities to do so. If you work out of other premises, you will have to pay rent and other overheads.
- It's impossible to escape some pressure, especially the kind coming from clients and customers.
- By not being employed you are potentially losing a range of benefits and a support infrastructure, such as computer help.
- Setbacks may impact on your confidence and profits. Be realistic, learn from difficulties and make contingency plans.
- To obtain tax benefits, you usually need to pay out money first. You'll also have to make your own pension and health insurance arrangements.

Self-employment: Skills and qualities

It doesn't matter if you have 'a good degree' or not. No one will care whether you have an HND, a PhD, a string of As at A-level or just one GCSE. Dame Anita Roddick, Sir Richard Branson and Sir Alan Sugar all achieved honours, recognition and business success without a degree. You only need qualifications if they are a prerequisite for running your business, for example, if you're setting up as a dentist or consulting engineer. Otherwise, they're not essential, although they may give you credibility.

The business world and academia require a different or complementary skillset for success. Strategic thinking and a broad range of skills are what counts. Research might only be carried out on a 'need to know' basis because the key factor is to get things done.

Have you got what it takes?

- *Could you be a risk taker?* No business is risk free, so you need to judge the level of danger correctly and then be sufficiently well prepared to live with the consequences.
- *What is your response to uncertainty* - do you find this exciting rather than worrying? Are you prepared for changing markets, competition, economic fluctuations?
- *Do you see change as a challenge?* Can you minimize its downsides by careful thought and planning?
- *Are you opportunity aware?* Given even half a chance do you take it? Better still, can you see it coming before anyone else does? Or are you too cautious or over-analytical?
- *How hard can you work?* Being self-employed is not an easy option especially if you are working on your own. Results are often only produced by working long hours, doing routine tasks rather than high powered business deals.
- *Are you a realist?* Can you gauge in practical terms what it's possible to achieve or produce within a certain period? In business terms this translates into: being aware of limitations; striving for speed, efficiency and quality; pricing your output so that it appeals to clients but at the same time pays you a realistic wage. Are you able to visualise the product or service you are offering through your customers' eyes?
- *How well organised are you?* You'll need to be an excellent time manager. If you don't already possess this skill, it can be learned! How else will you juggle tasks, meet multiple deadlines, prioritise conflicting demands and cope with basic administration such as sending out invoices? No one is going to pay you unless you remind them.
- *Do you plan ahead?* You need to do this to minimise uncertainties and maximise your chances of success. You may have enough work now but unless you inform more people about what you do, it may soon dry up.
- *Will you be able to network?* It is essential to be able to market yourself and your business, often in social situations. Constantly putting yourself in a position to meet potential customers or contacts is a prerequisite.
- *Are you literate and numerate?* What's your relationship with computers? If you are not totally familiar with any of these functions you may have to pay other people to help with bidding for funds, doing the accounts and dealing with IT.
- *Do you possess commercial awareness?* Do you know how to attract and retain customers, make a profit and corner a share of the market?
- *What's your level of commitment?* Do you believe in yourself and in your own business idea? Self-employment is not always a comfortable option or an easy alternative to finding regular work. Doubts or a half-hearted approach can be disastrous.
- *Are you self motivated?* Running a business can sometimes be a lonely occupation. No one is going to motivate you other than yourself.
- *What does professionalism mean to you?* Will you turn up to meetings on time, present a businesslike image, and do the necessary homework?

Self-employment: Common areas of work

Information technology

Home computers, small businesses who cannot afford full-time IT people and organisations which need to augment their computer staff for different projects present fantastic opportunities for those who want to be self-employed. Job roles include:

- [IT consultant](#);
- [IT trainer](#);
- [Web designer](#).

Opportunities for new graduates are reasonable, especially in web design/development and IT training, but less so in contracting.

The arts

Graduates in fine art, craft, visual and design disciplines sometimes become self-employed by choice, more often through necessity. Examples of jobs include:

- [Graphic designer](#);
- [Illustrator](#);
- [Printmaker](#);
- [Metalwork/silversmith designer](#).

Income from sales and commissions may not be enough to live off. Many people take part-time jobs to support their practice.

Health and exercise

This category consists of:

- practitioners who could stay within the National Health Service (NHS) (see NHS Careers (<http://www.nhscareers.nhs.uk>)) but prefer to work for themselves, all or part of the time;
- those outside the mainstream health service who combine part-time NHS work and private referrals;
- those providing complementary treatments;
- those offering sports related therapies.

The range of jobs is wide, for example:

- [Dentist](#);
- [Counsellor](#);
- [Osteopath](#);
- [Podiatrist/chiropractist](#);
- [Sports therapist](#).

It can take time to build up a practice. Jobs covered by the Health Professions Council (HPC) (<http://www.hpc-uk.org>) usually require a year in the NHS before setting up on your own.

The media

A significant number of those working in the broadcast and printed word industries are self-employed, freelance or on short term contracts. It is common to have to 'pitch' for work. Job areas include:

- [Film/video editor](#);
- [Magazine journalist](#);
- [Make-up artist](#);
- [Runner, broadcasting/film/video](#);
- [Writer](#).

Talented graduates can progress rapidly in this area. For others, it is an uncertain process, accompanied by unpaid work, unemployment or under-employment.

The performing arts

Self-employment is the 'norm' for all performers and some technicians. They need to be pro-active, approaching venues or putting together ensembles. Examples of jobs include:

- [Actor](#);
- [Musician](#);

- [Theatre stage manager](#).

Luck and being in the right place at the right time can count as much as talent and hard work, but getting a foot on the ladder could be a lengthy process.

Business and the law

Self-employed consultants provide expertise across a variety of commercial services. Locum work (short-term cover for time-bound periods) is also possible. Job roles include:

- Accountant - [chartered accountant](#); [chartered certified accountant](#); [chartered management accountant](#); [chartered public finance accountant](#);
- [Barrister](#);
- [Human resources officer](#);
- [Management consultant](#).

It is rare, but not unknown, to make an impact without a previous professional background.

For information on other individual occupations, check out [explore types of jobs](#).

Self-employment: Types of business

Sole traders

Most people who start in business do so as sole traders, working on their own, often from home. They alone receive the income and are therefore liable for any losses or debts. Having no colleagues can be liberating, but might equally be isolating with no one to provide motivation or inspiration.

Partnerships

You could set up in business with one or more colleague(s), relative(s), or friend(s). This form of business relationship is usually known as a 'partnership'. Each partner might be equal or some may have a larger share of the business. Your income and liability are proportionate to your share in the business.

Limited companies

As a limited company, the business is registered with Companies House (<http://www.companieshouse.gov.uk>). There are more regulations associated with running a business this way but these are generally offset by tax advantages. Those directing the company have shares proportional to their involvement.

Franchises

A surprisingly high number of well-known commercial concerns are franchises. They expand by getting other people to buy into their business, making an initial payment which secures equipment, raw materials, training and a well-known commercial name, then running a branch of the business to make an individual profit. There are numerous possibilities for franchises throughout the UK. An obvious advantage is that it presents a 'best of both worlds' scenario. On the other hand, initial outlay can be high and income is not guaranteed. Read the small print, ideally in the company of a solicitor, to be sure that the franchise agreement is favourable to you.

Cooperatives

This is a group of like minded people with similar aims and business interests. Often community based, they are owned and run democratically, with everyone given a say. Profits are returned to members and typically involve employee share schemes. They are not centred on making large amounts of cash, but are frequently creative, practical or founded on ethical values.

Buying a business

Taking on an existing business may seem to cut out some of the legwork involved in starting up on your own, but make sure you do your research! It will be much easier to invest in an established firm with a solid customer base and a motivated workforce, rather than one with liabilities or a poor reputation. You can find a business to buy through local press, estate agents, trade associations and websites dedicated to this sort of provision.

Social enterprise

This is an expanding area and has evolved from a desire to help the disadvantaged, providing much needed resources or services in disadvantaged areas and offering employment to those who would otherwise be unwaged. A well-known example is 'The Big Issue' newspaper.

Charities

The Charity Commission for England and Wales (<http://www.charity-commission.gov.uk>), can provide advice and you will have to register with it to qualify for certain tax advantages. Certain trading activities are barred to organisations with charitable status.

Barristers

It is an ancient tradition that the majority of barristers work at the 'independent' bar. Based in offices or 'chambers' with professional colleagues, their income comes from cases allocated through solicitor contacts and their own clerks. Very junior barristers tend to be offered relatively low level cases. Their fees reflect this, rising as they make their reputation.

Freelancing

Freelancers offer a skill or service to other businesses which employ them as needed for particular projects or for set lengths of time. They may be given office space or work from home, delivering work to (often tight) deadlines. Some freelancers will actively market themselves. Others may obtain work through agencies or by a direct approach from employers.

Self employment: Getting started

Your business idea

Your first consideration should be whether:

- you have a skill or an idea to sell;
- there is a market for what you can offer.

One without the other spells disaster. Remember that you need not be proposing something original, but putting your own stamp on a well-represented trade such as translating or running a restaurant.

If you are proposing a new invention or concept or crafting something creative such as a play or a design, take steps to protect these from being copied, used without permission or

exploited. The key factor is to keep tangible dated evidence that confirms your ownership - in court if necessary.

A *patent* can be taken out which gives you exclusive rights to make, use and sell your idea or invention and prevents others from misusing it; a *trademark* entitles you to further protection. *Copyright* and *design right* (covering content and appearance) are automatic in the UK, but are notoriously difficult to prove legally. Always add the copyright symbol to work that you send out, keep any originals and mail yourself copies via recorded delivery. Consider paying to register your design.

Some solicitors specialise in this area which is known as *intellectual property* and may give initial consultations for free. The British Library (<http://www.bl.uk>), has a section devoted to this topic, as do websites of organisations such as The UK Intellectual Property Office (IPO) (<http://www.ipo.gov.uk>).

Working with others

Collaborating with a partner(s) can be a good way to get your business off the ground and is especially useful if you each have different skills to bring to the enterprise. But don't jeopardise important relationships, not to mention the business itself, by assuming that all will be well. Ask a solicitor to draw up a tailored agreement about how the business will be run and what will happen in certain eventualities.

Doing your research

There is groundwork to be done on practicalities such as funding, legal considerations, markets and competitors. Don't neglect this as it is the foundation on which your successful business will be based.

Business name

This may be your name accompanied by an indication of your role, e.g. 'Jane Smith, Advertising Consultant'. Alternatively you could adopt a memorable title and perhaps a logo. If it's a limited company, it must be registered in a name of its own.

You'll have to check whether something similar or exactly the same is already in use. Companies House (<http://www.companieshouse.gov.uk>), is the main source of this information and on what terms are allowed and appropriate.

Your business and IT

You will need an up-to-date computer and a dependable internet connection, plus a dedicated and professional sounding email address. In addition, you will probably need some standard office programs such as Word and Excel and maybe specific packages e.g. SPSS if you are dealing with statistics or Adobe Photoshop for creative work. A website may be an optional extra at first, unless you need it for e-commerce.

If you lack IT skills, try to negotiate a good rate with an up and coming web designer who wants to showcase their talents.

Just as your business name should be unique, so your web name should not replicate or resemble anyone else's. Ideally it will reflect the nature of what you are providing. You can register at Nominet (<http://www.nominet.org.uk>), which has information on suitable and available internet addresses.

Registering as self-employed

When you start working on your own behalf, you have a few months to register as self-employed for tax and National Insurance (NI) purposes. This process starts with one phone call to the local tax office. You'll get a unique reference number (which can be quoted when tendering for work) and then be invoiced for NI contributions each quarter. Extra NI is payable through income tax.

If you have several jobs or are still employed while getting a business up and running, you can register as both employed and self-employed.

Premises

Many businesses have started on the kitchen table with one phone line and access to the nearest cyber café, but this is a minimum requirement. Compartmentalise your accommodation as much as possible if working from home.

Tenants may find restrictions on using their home as a workplace, while individual councils have additional regulations on what work can be done in residential areas by tenants or owner occupiers.

Your business might necessitate buying or renting premises such as a studio or office space. The former option could mean a hefty down payment and/or taking out a mortgage. You would then be responsible for maintenance of the building. Renting means negotiating a good deal with the landlord and, in particular, seeing what your money covers: often it is just the space, nothing more. Whether you own the property or not, it is probable that you will have to pay for the following: insurance, business rates, and items such as water supply, heating and security. You may also have to contribute to cleaning and other services.

An alternative is working out of a communal space (such as artists' workrooms or a clinic shared by several therapists) where all expenses can be shared. Cheaper options include workspaces rented out to small businesses by enterprise agencies and charities.

Health and safety

Even if you are based at home, make a risk assessment of your work station(s) and take into account potential sources of danger or accidents.

If you are in external premises, these must conform to health and safety laws in terms of features such as fire hazards and escapes, planning consent, ventilation and environmental issues. The list becomes longer if you are employing people or allowing access to members of the public. More regulations come into play when running certain businesses e.g. construction or food related.

The Health and Safety Executive (HSE) (<http://www.hse.gov.uk>), supplies guidelines on these matters and they or a local environmental health inspectorate may make regular checks.

Advice and help

If you are still studying, your college may run sessions on setting up in business and your careers library should contain some information on this. Many universities now offer entrepreneurship MAs.

Councils and adult education colleges often provide classes on self-employment. Jobcentres or local careers services may have advisers who can deal with start-up queries.

Banks

Every bank on the high street gives away free information on this topic.

Websites

Numerous organisations have websites covering all the factors to be considered in depth. For a comprehensive overview of everything you need to know, go to the Business Link (<http://www.businesslink.gov.uk>) website, or its publications and courses.

Charities and other similar enterprises

The Prince's Trust (<http://www.princes-trust.org.uk>) and the National Council for Graduate Entrepreneurship (NCGE) (<http://www.ncge.org.uk/>), for example, nurture intending entrepreneurs and support them in developing their ideas. Likewise some businesses run competitions and events for this purpose: the best known of these is Shell LiveWire (<http://www.shell-livewire.org>).

Membership of professional bodies, trade associations and unions

The National Union of Journalists (NUJ) (<http://www.nuj.org.uk>), for instance, can tell you about freelance rates of pay. The The Chartered Society of Designers (CSD) (<http://www.csd.org.uk>), will help with copyright issues. Some sectors have their own careers services which are fully clued up on matters relating to self-employment. Skillset (Sector Skills Council for the Audio Visual Industries) (<http://www.skillset.org>) is a prime example of this.

Other relevant bodies and sources of advice are listed in the [contacts and resources](#) section.

Self-employment: business plans

Why write a business plan?

Your business plan is the cornerstone on which everything else is built. Without it you:

- will have little credibility;
- will not be able to obtain funding.

Even if money is not a prime consideration, don't make the mistake of thinking that the plan is optional. It spells out for you, and anyone else, your goals and strategies and how you intend to achieve these.

Opinions, even amongst hardened business advisers, differ as to how long the plan should be. Brevity is admirable, but not at the expense of clarity. Too long winded and you are in danger of seeming unfocused.

Somewhere between 15 and 25 pages is optimum.

What should it include?

It should contain most, if not all, of the following headings:

- *Introduction*: this should put your business and your proposals in context. A summary of the entire document would be useful at this point.
- *Overview*: information about the sector(s) in which you will be operating, showing an understanding of the market and of the competition.
- *Product*: what are you offering, what differentiates it from similar items, what unique factors can you bring to the end result?
- *Objectives*: what qualitative and quantitative targets do you have in mind?

- *Marketing plan*: demonstrate that you know your customer base, you have identified a niche for yourself and you have a clear idea of how to move forward and corner a share of the market in the immediate, medium term and longer term future. You should describe a well rounded strategy for promoting your business using an appropriate range of methods and media.
- *Sales forecast*: indicate costings, pricings, delivery, seasonal factors and other variables e.g. outlets for your work.
- *Operating plan*: show how the whole process will work in practice and taking into account what resources you will need.
- *Quality control*: how you will ensure that the product or service is of marketable standard? What checks will you apply?
- *Budget and cash flow*: projections, models and specimen accounts could accompany this. You could also include an outline of how you will support yourself and the business while it is in its infancy.
- *Outcomes and evaluation*: demonstrate how you will know if you have achieved/partly met your goals and how you are going to monitor progress. This is a good place to indicate milestones along the way where you can stand back and monitor the business's development objectively at regular intervals.

The following additional documentation will be useful:

- contingency arrangements for all of the above: what fallback will you have if things fail to run smoothly?
- SWOT analysis (a breakdown of the strengths, weaknesses, opportunities, threats inherent in your plan);
- testimonials from potential customers, suppliers, sponsors;
- lists, articles and appendices that add weight to your plans;
- your CV.

All of this must be backed by hard facts - statistics, figures, analyses, diagrams. Potential funders and business advisers will expect you to be able to talk this through as fully as possible and will pounce on any perceived weaknesses. They are not likely to lend you assets or assistance unless they can predict a return on their input! One of the most common discrepancies is not including sufficient essential detail. For example, when it comes to pricing, have you investigated what similar goods and services cost, have you thought how much time you will have to invest in order to produce an acceptable product? (Your time is money, so how does that translate into a feasible hourly rate?)

Further information about writing a business plan can be found in many of the paper and electronic information sources recommended in the [contacts and resources](#) section.

The plan is a work in progress: it should grow organically, not remain static. If it's successful, you will revise and hone it - possibly with the same advisers who originally accepted it.

Self-employment: Funding

What sort of funding will I need?

For the majority of new businesses, start-up costs are a priority. The sorts of resources that you might need will vary but would generally fall into these areas:

- **Equipment**: the term could cover anything from a laptop computer to heavy plant or industrial standard tools and machinery.
- **Accommodation**: renting or buying a work place.
- **Training**: additional course(s) to give you the skills and knowledge required.
- **Infrastructure**: setting up systems and processes to move the business forward.
- **Marketing**: promoting and advertising.

- Administrative costs: phone calls, postage.
- Employing staff.
- General development: you might need time/money to do further research or develop products/services.

The necessity for extra funding doesn't stop when you've got the business up and running - you may need to expand your activities, but still lack the capital needed to do so.

Are there any other costs?

It's recommended that you obtain various types of insurance - buildings and contents, professional indemnity to safeguard you against legal action, health cover in case you are ill and cannot work, public liability if your premises are accessible to people not connected with the business. You'll also need to think about taking out a private pension.

Where can I do research and get advice?

The Business Link (<http://www.businesslink.gov.uk>) website, has links and 'signposts' to all types of funding opportunities, regionally, nationally and across Europe. It includes a facility where you can type in details of your background and business proposals and generate lists giving possible sources of support.

What kinds of funding are there?

Funding can be split into four main types:

- All of the high street banks will consider loaning money for business purposes.
- Grants, awards and matched funding can be accessed from local, regional and national agencies that back enterprise.
- Charities provide grants, awards and matched funding. They may, like the Prince's Trust (<http://www.princes-trust.org.uk>), have a specific remit for business start-ups or it could form just a part of their brief.
- Some business firms and professional bodies offer grants and sponsorships.
- Business angels and venture capitalists are constantly on the lookout for potentially large scale commercial opportunities in which to invest.
- Private loans and investments from friends and family mean interest rates are likely to be negligible. However, they may not provide the on-going mentoring and support available from other sorts of funders. If you go down this route, get a legal contract drawn up in case disputes arise later.

How do I apply for funding?

Almost any organisation offering funding will want proof that you will use the money wisely and will want to see your business plan and discuss it in detail before handing over any money. Unsuccessful applicants who nearly make the grade might be encouraged to return when they have done more research or acquired additional evidence. You might occasionally be asked to enter some form of competition or selection process.

Are there strings attached?

- Most providers like to see evidence of personal investment as that shows your commitment.
- Funders may specify certain uses for the money such as projects with a social enterprise bias.
- Many lenders and investors will monitor how you use the money, perhaps by setting targets and outcomes. Some funding is staggered and later payments are dependent on how well you have utilised the first tranche of cash.

Self-employment: Sales and marketing

Know your customer

Who are your customers, in terms of age, location and income? A gut feeling that there is a niche for your product will not convince business advisers and lenders. Your investigation should also give an overview of the competition and potential product demand.

There are formal statistics to help you at local or national level, in the shape of government data, electoral rolls, consumer surveys, sector reports such as those published by Mintel (<http://www.mintel.com>), information held by trade and professional bodies. The Data Protection Act and commercial considerations mean that you may have to pay to access this. Use local or specialist libraries which may hold licences for subscription only websites.

Initiate your own research, whether it is:

- a 'vox pop' e.g. stopping people in the street;
- testing your idea with sample groups of customers;
- phone surveys;
- a series of focus groups;
- formal mailshot;
- using the 'webCHECK' service run by Companies House (<http://www.companieshouse.gov.uk>);
- sizing up competitors' products on the web, in shops or by pretending to be a potential client.

This will be the foundation for a:

- sales forecast: how much you can expect to sell, where and at what price;
- marketing plan: how will you develop your activities at set stages in the foreseeable future?

Promoting your business

Concentrate on the basics. Business cards and matching headed paper are cheap and go a long way in establishing a professional image. You can use these wherever you decide to network.

Some suggestions for networking:

- exhibitions, trade events and conferences: take a stand or just mingle with potential clients;
- structured opportunities provided by Chambers of Commerce, Business Network International (<http://www.bni-europe.com>), professional associations and institutes;
- Business Link (<http://www.businesslink.gov.uk>), is helpful if you need to locate certain types of business or business people.

Some organisations offer mentoring on your marketing strategy which may take in factors such as pricing, branding and media mix. Business Link's website has links to online marketing courses.

Advertising the product

Blowing your entire budget on advertising may not produce the biggest return. Select the publication(s) or website(s) carefully. Find out as much as you can about coverage, circulation, target audience and readership. Do they reach your intended customers? A mix of media can be particularly effective e.g. radio and the Yellow Pages.

Cheaper methods include:

- leafleting (door to door, high street);
- sending out press releases or arranging free 'advertorial' features in the press;
- asking professional bodies to place your details on their websites;
- an easy to navigate website.

The best advertisement is you. By delivering good products, excellent service or original ideas, word will get about and you'll hear from new clients.

Tendering for contracts

You may be asked to bid for work and contracts against competing suppliers. There are certain conventions to bear in mind:

- Don't omit vital information such as costs, processes, deadlines. Follow any guidelines to the letter and show how you will meet any specified criteria.
- Use terms such as 'outcomes', 'targets', 'deadlines'. Show that you have measures in place to control quality.
- If you can deliver something 'value added' to the contract, make this explicit.

If in doubt, use the services of a professional bid writer - at least for the first tender that you complete.

E-commerce

If you are running your business via the internet, take professional and legal advice to be sure that you meet acceptable standards and comply with regulations. These include:

- computer capacity - a website which constantly crashes will lose customers;
- data protection/security for customers and yourself;
- branding, domain name and a user friendly site that is easily accessed by search engines;
- reliable systems for online payment;
- compliance with legal requirements such as the Goods and Services Act.

Business Link can point you towards e-marketplaces which match up manufacturers, distributors and others in the chain.

Self-employment: Managing finances

Cashflow

The biggest difference between being employed and working for yourself is cashflow. When you have a job, you know that there will be a regular salary and when it will be paid into your bank account. Running your own business means that there is no such certainty and monthly outgoings may well exceed what comes in. This is something of a constant juggling act even for successful companies. With start-up businesses, even allowing for initial setting-up costs, there will be no income until you find customers and they have decided to pay you. They may be in no particular hurry to do this! Eventually, your business will settle into a pattern and you will be able to forecast your earnings, outgoings, late payers and seasonal fluctuations.

Some possible solutions are:

- Sending out invoices straight away and quoting '28 days terms'. This may not make clients and suppliers pay up within the month, but it will show that you mean business in every sense of the term.
- Banks, tax offices and business mentors can advise on a range of schemes whereby

- you can control debts, defer them and set them against tax or anticipated income.
- Bank loans: bear in mind these are not an inexhaustible supply and will eventually dry up or be called in. It's far better to deal with the problem at source.

Book-keeping and accounting

Keeping accurate records and accounts is vital because it provides evidence from which HM Revenue & Customs (HMRC) (<http://www.hmrc.gov.uk>), will decide your tax bill. You will not necessarily have to use a very complicated system but it will need to be organised and methodical. Without it, you risk losing out on payments and being penalised by the tax office. Keep accurate files of payments in and out, expenses incurred etc. Make sure that these are backed by evidence in the form of receipts, bank statements and other documentation. Anything relating to tax must be kept for seven years.

There are all sorts of simple models for book-keeping and accounting, both online and in paper form. These are readily available through banks, websites and basic start-up information packages.

Tax returns

As a self-employed person, you will complete annual self assessment tax returns. If you miss the deadlines, you could be fined on a daily basis. You can complete your own return, employ an accountant to do so, work out what you owe yourself or file an early return, in which case HMRC will calculate what is due. The tax is then normally split into two annual payments.

Items such as transport, telephone, postage, office supplies, accommodation and equipment can all be set against tax. In many cases so can expenditure on heating, lighting and other utilities. Even your accountant's assistance can be claimed as a justifiable expense which is why a large proportion of self-employed people use an accountant to make sure that their tax payments are minimised and every potential tax break is maximised.

Registering for VAT

If you supply goods and services whose value goes above a certain annual threshold (currently just over £60,000) then you must register straightaway for Value Added Tax (VAT) and pay this throughout the year at fixed intervals. Failure to do so means a fine which accumulates the longer the tax is unpaid. There are different rates of VAT which apply to a variety of goods, services and situations.

Depending on your individual circumstances, you might gain some tax advantages by voluntarily registering even if your turnover is below the threshold.

Additional VAT is also payable on imports and exports. Levels vary according to criteria such as the items in question and the country or countries involved. Again, meticulous record keeping is vital.

HMRC run short courses across the country covering most of the issues raised here. They also have a range of national helplines and you can always contact local tax offices for instant advice.

Getting in and out of debt

It is likely, but not inevitable that you will get into debt. Follow the suggestions here and in the section on [getting started](#) and you should avoid the worst problems. Seek help as soon as you get into difficulties, not when you are going under. Banks, accountants, tax personnel and business advisers may all be able to come up with strategies to get you out of trouble or avoid it altogether.

Self-employment: Employing people

Employing staff can ease your workload but it does mean that you are responsible for their remuneration and welfare. There is legislation with which you have to comply and good practice which you should adopt. Much of this applies whether you have a full-time permanent workforce or not. 'Outworkers', part-timers, temps, freelancers, commission-based workers and volunteers are all entitled to be treated fairly and may themselves have to meet certain standards and codes of conduct, from the selection process onwards.

Paid staff

If you are paying anyone for the work they do, then it is up to you to ensure that their tax and National Insurance (NI) obligations are met. Check that freelancers have made their own arrangements for this, while other staff must be covered by the Pay As You Earn (PAYE) system where tax and NI are deducted at source from their pay packets. They are entitled to an itemised pay slip and other documentation such as a P60 at the end of the financial year.

Be aware that there are regulations around subjects such as minimum wages, hours of work, sick pay, flexible working, annual leave, maternity leave, employers' liability insurance, repayment of staff members' student loans and redundancy. Also, as your business grows, you may need to have formal pay scales and promotion structures in place.

The rules surrounding all of this are tremendously complex so it is vital to seek professional advice from your accountants, solicitors and HM Revenue & Customs (HMRC) (<http://www.hmrc.gov.uk>), before setting up a payroll system and maintaining necessary records.

Pensions

At present the occupational pensions system is in a state of flux. However, your employees should be advised of any arrangements that you have in place for them or of the need to make their own arrangements. If you employ more than five staff, it's likely that you'll have to offer some kind of stakeholder pension scheme. There are different types of schemes and various levels of employer/employee contributions to these. You will receive tax benefits for paying into your employees' pensions.

The Pensions Regulator (<http://www.thepensionsregulator.gov.uk>) and the Department for Work and Pensions (DWP) (<http://www.dwp.gov.uk/>) can advise on provision, registration and other issues.

Making job offers

If you are advertising a post or deciding who to employ, then you must pay due regard to anti-discrimination laws. With few exceptions, it is illegal to deny anyone a job on the grounds of gender, race, religion, sexual orientation, disability or age.

When you do find the right candidate, they should be given a formal contract of

employment, clearly laying out the terms and conditions under which they are employed, including pay, annual leave, hours, notice and any probationary period. Most solicitors can advise on this and draw up a standard or customised document.

Pre-employment checks

Before you confirm a job offer, you should take up references and check that both these and the candidate's CV/qualifications are valid and truthful. Their previous employment history and any convictions may also be followed up. Care is also needed to make sure that you are within the law when employing children under 16, young people under 18 and workers from outside the EU (including students) who will require work permits and visas.

If any member of your staff is likely to come into contact with children and vulnerable adults, then a Criminal Records Bureau check is mandatory.

Disputes

If you've selected your staff wisely and treated them well it's unlikely that major problems will arise. If there are disagreements or if you need to discipline or dismiss one of your employees, there are rules in place to ensure that this is done justly and properly. The Advisory, Conciliation and Arbitration Service (ACAS) (<http://www.acas.gov.uk>) (ACAS) can provide support on this and may also mediate to prevent matters escalating. Both ACAS and the Chartered Institute of Personnel and Development (CIPD) (<http://www.cipd.co.uk>) have useful tips on employing people and on what constitutes a model workplace.

Self-employment: Case study

Penny and Amy, Artburst

Penny and Amy are lifelong friends who set up their social enterprise 'Artburst' in London's Hackney. It uses imaginative interactive workshops covering art, crafts, drama, movement and story-telling to explore different skills and cultures.

Penny explains, 'I was working as a freelance artist and arts facilitator. Amy was an actor and performing arts teacher. We were both separately doing an arts psychotherapy course. So we were running parallel but apart! We decided to combine our interests to do something new'.

'We got the ball rolling by approaching Business Link (<http://www.businesslink.gov.uk>); then we applied to the Prince's Trust (<http://www.princes-trust.org.uk>). They were brilliant and we couldn't have got off the ground without them. They gave us an adviser who helped us prepare a three year business plan. We presented it to eight judges in a "Dragon's Den" type scenario and were awarded a loan to cover start-up costs. The Trust also provided a mentor to assist in areas where we lacked expertise - in our case, legal and marketing functions.'

Penny stresses the importance of being passionate about what you are doing and to have a vision, while growing the business slowly. 'Initially it was a financial struggle. Although we were working hard there was no money coming in, which does affect your morale. All sorts of opportunities presented themselves and we could have gone crazy following them all! Although our original concept has changed, we've kept to a clear business plan. We now specialise with half a dozen client groups, including a contract to run workshops with the Museum of Childhood. People would come and ask if we could deliver certain activities and we would say yes, then learn as we went along! You discover new ideas as more clients come on board.'

Has working together affected their relationship? 'You need to be sensitive - it requires

respect and understanding. We share values and were both prepared to work hard, but we did set boundaries between work and our personal lives. We began as business partners before becoming a limited company: it's vital to draw up a proper legal contract and not rely on friendship alone. We've split roles up between us: Amy's good at accounts and IT and I cover HR and marketing. Neither of us enjoys all of this, but it's a necessary evil.'

Artburst is now at the stage of employing others on a freelance and voluntary basis and is hoping to obtain funding for this. They have just bid for a grant from the local council which will help with marketing and revamping their website. 'The aim is to expand the brand and roll out more workshops - ultimately on a national basis. We'd like to have a team of facilitators to use as and when needed. We're aiming for a dedicated centre, rather than working out of different venues.'

The key to success? 'The learning curve has been steep - like being on an intensive business degree. Parts of the journey have been quite scary, but we've stuck with it because we're committed.'

Self-employment: Checklist

The checklist below is designed to remind you of the key points to consider when becoming self-employed and to highlight action points that should be taken.

The business

- What are your reasons for becoming self-employed?
- How feasible is your idea and why?
- What's the unique selling point of your business?
- What knowledge, skills and qualifications are needed in the sector that you have chosen?
- How will you keep your knowledge, skills and qualifications up to date?

Your research

- Which five areas of research will you need to tackle first?
- Where, specifically, will you find the information?
- Desk research only goes so far: who should you talk to?
- Who will you need to help you - inside and outside the business?
- With which professional organisations and associations should you register?

Practicalities

- What type of business will you run e.g. sole trader?
- What can you set against tax?
- What mandatory regulations must you follow?
- What IT facilities will be necessary?
- How do you intend to 'grow' the business?

Funding

- How much money will you need to start the business?
- What resources and equipment will be required?
- Where will you be based and what will this cost?
- Which sources of funding will you approach first?
- How will you support yourself while starting up the business?

Marketing

- Look closely at two competitors: what can you learn from them?
- Where can you network?
- List five outlets for your products or services.
- What's a competitive price for your product(s)?
- Which three promotional methods will best suit your business?

Contacts and resources

Publications

Other publications

The Big Issue, [The Big Issue](#), Weekly

[The No Nonsense Guide](#), Business Link, 2004

Start Up and Run Your Own Business, [Kogan Page](#), 2006

Teach Yourself Running Your Own Business, [Hodder Headline](#), 2005

Websites

Advisory, Conciliation and Arbitration Service (ACAS), <http://www.acas.gov.uk>

Arts Council England, <http://www.artscouncil.org.uk>

Arts Council of Wales, <http://www.artswales.org.uk>

BeerMat Ecademy, <http://beerat.ecademy.com>

Better Business, <http://www.better-business.co.uk>

The British Library, <http://www.bl.uk>

Business Gateway, <http://www.bgateway.com/>

Business Link, <http://www.businesslink.gov.uk>

Business Network International, <http://www.bni-europe.com>

Career at Home, <http://www.careerathome.co.uk/home.htm>

The Charity Commission for England and Wales, <http://www.charity-commission.gov.uk>

Chartered Institute of Personnel and Development (CIPD), <http://www.cipd.co.uk>

The Chartered Society of Designers (CSD), <http://www.csd.org.uk>

Companies House, <http://www.companieshouse.gov.uk>

Department for Work and Pensions (DWP), <http://www.dwp.gov.uk/>

Federation of Small Businesses, <http://www.fsb.org.uk>

Franchise Direct, <http://www.franchisedirect.co.uk/>

Franchise Gator, <http://www.franchisegator.co.uk>

The Health and Safety Executive (HSE), <http://www.hse.gov.uk>

Health Professions Council (HPC), <http://www.hpc-uk.org>

HM Revenue & Customs (HMRC), <http://www.hmrc.gov.uk>

Institute of Patentees and Inventors, <http://www.invent.org.uk>

ITWales, <http://www.bigwales.com>

Lawyers for your Business (LFYB),

<http://www.lawsociety.org.uk/choosingandusing/helpyourbusiness/foryourbusiness.l...>

Make Your Mark, <http://www.makeyourmark.org.uk/>

Mintel, <http://www.mintel.com>

National Council for Graduate Entrepreneurship (NCGE), <http://www.ncge.org.uk/>

National Union of Journalists (NUJ), <http://www.nuj.org.uk>

NHS Careers, <http://www.nhscareers.nhs.uk>

Nominet, <http://www.nominet.org.uk>

The Pensions Regulator, <http://www.thepensionsregulator.gov.uk>

Prince's Trust, <http://www.princes-trust.org.uk>

Scottish Arts Council (SAC), <http://www.sac.org.uk>

Shell LiveWire, <http://www.shell-livewire.org>

Skillset (Sector Skills Council for the Audio Visual Industries), <http://www.skillset.org>

Small Business, <http://www.smallbusiness.co.uk>

Startups, <http://www.startups.co.uk>

The UK Intellectual Property Office (IPO), <http://www.ipo.gov.uk>

Welsh Assembly Government - Business and Economy,
<http://new.wales.gov.uk/topics/businessandconomy/?lang=en>

Addresses

Department of Trade and Industry: Department of Enterprise, Ashdown House, 123
Victoria Street, London, SW1E 6RB Tel: 020 7215 6771 URL: <http://www.berr.gov.uk>



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